

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 PM-03 EB-07 IGA-01 AID-05 SAJ-01 SS-15

NSC-05 MC-02 /049 W

----- 000378

R 211540Z FEB 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 2279

INFO SECDEF ASD/ISA

DIVENGR USAEDM LEGHORN ITALY

DEPT OF ARMY COE

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E.O. 11652: NA

TAGS: MARR PFOR EG

SUBJECT: SCA CHAIRMAN MASHOUR'S LATEST THINKING ON COE INVOLVEMENT
IN SUEZ CANAL WORK

REF: A. CAIRO 909; B. CAIRO 1112; C. STATE 27627; D. STATE 30232

SUMMARY: MASHOUR AFFIRMS SCA HAS REQUESTED INTERNATIONAL TENDERS FOR STUDY OF OPTIMUM CROSS SECTION OF SUEZ CANAL ALONG WITH VARIOUS RELATED TECHNICAL MATTERS. ALLEGEDLY FINANCED BY IBRD, SELECTION OF CONTRACTOR WILL BE MADE JOINTLY BY SCA AND IBRD. STUDY WILL COVER PART OF WORK ONCE DISCUSSED WITH COE, BUT MASHOUR NOTED HE HAS SOUGHT COE ASSISTANCE TO DO NAVIGATIONAL STUDY. EUROPEANS HAVE ALSO BEEN ASKED FOR PROPOSALS ON SAME NAVIGATIONAL CONTROL STUDY. INFORMED OF GOE'S WILLINGNESS DEPLOY SMALL COE STUDY TEAM FOR THIS PURPOSE AT SCA EXPENSE, MASHOUR NOTED FRENCH ARE DOING IT FREE AND SUGGESTED WE DO THE SAME. HE HOPES THREE NOMINEES INVITED BY COE CAN LEAVE IN EARLY MARCH AND, WHILE IN US, DISCUSS WITH COE POSSIBLE PROJECTS IN WHICH CORPS MAY BE INVOLVED. SINCE AN AMERICAN STUDY OF NAVIGATIONAL SYSTEM COULD LEAD TO PROMOTION OF AMERICAN-MANUFACTURED EQUIPMENT, SUGGEST DEPT/AID AGAIN DISCUSS FINANCING WITH IBRD TO DETERMINE CAPABILITY AND INTEREST OF PRIVATE US FIRMS AND/OR COE TO DO STUDY. IF NO SUCH FINANCING AVAILABLE, RECOMMEND AID RECONSIDER

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EARLIER POSITION AND EXPLORE POSSIBILITY OF DEFRAYING COSTS

UNDER TECHNICAL ASSISTANCE RUBRIC. END SUMMARY

1. SCA CHAIRMAN MASHOUR HAS THESE PAST FEW WEEKS BEEN FLITTING BETWEEN ISMAILIA AND CAIRO AND HARD TO CONTACT. AMBASSADOR MANAGED TO MEET WITH HIM FOR HALF-HOUR FEB 20 IN EFFORT CLARIFY VARIOUS AMBIGUITIES RE POSSIBLE COE PARTICIPATION IN SUEZ CANAL WORK. WHEN DOING SO, AMBASSADOR AFFIRMED USG AND COE REMAIN AGREEABLE IN PRINCIPLE TO ASSIST SCA IN SPECIFIC, FINITE ASPECTS OF SUEZ CANAL DEVELOPMENT PLANNING, BUT ALSO NOTED A) GOE HAS MADE DECISION THAT US ECONOMIC ASSISTANCE INCREMENT INITIALLY EARMARKED FOR SUEZ CANAL NOW BE ALLOCATED ELSEWHERE AND B) COE SHOULD NOT COMPETE IN WORK THAT CAN BE PERFORMED EQUALLY WELL BY PRIVATE US FIRMS. SOMEWHAT RUEFULLY, MASHOUR ACKNOWLEDGED HIS AWARENESS OF GOE DECISION RE AID FUNDS. HE ALSO INDICATED UNDERSTANDING THAT COE SHOULD NOT BE CALLED UPON FOR WORK THAT PRIVATE AMERICAN FIRMS CAN DO. WITH THESE POINTS IN MIND, HE PROVIDED FOLLOWING CLARIFICATION ON A NUMBER OF RELATED SUBJECTS:

2. SCA HAS ASKED FOR INTERNATIONAL TENDERS FOR AN APPRAISAL STUDY OF WHAT THE OPTIMUM CROSS SECTION OF THE CANAL OUGHT TO BE. STUDY WILL BE BOTH GENERAL AND TECHNICAL AND WILL INCLUDE SUCH MATTERS AS BREAKWATER, PORT SAID HARBOR, REVETMENTS, ETC. STUDY IS REQUIRED BY IBRD AS A CONDITION OF FURTHER SUEZ CANAL ASSISTANCE. VARIOUS FOREIGN FIRMS, AMONG THEM FOUR AMERICAN FIRMS (OF WHOM ONE IS FREDERICK R. HARRIS), HAVE ADVISED SCA OF THEIR INTEREST IN SUBMITTING PROPOSALS. FINAL SELECTION WILL BE MADE BY A JOINT COMMITTEE CONSISTING OF SCA AND IBRD REPRESENTATIVES. COST OF STUDY, ACCORDING TO MASHOUR, WILL BE DEFRAYED FROM ALREADY APPROVED IBRD LOAN. PROPOSED STUDY, HE CONCEDED, COVERS AT LEAST PART OF THE WORK THAT HE HAD EARLIER DISCUSSED WITH US AS A POSSIBLE COE PROJECT.

3. ONCE STUDY IS COMPLETED AND EVALUATED, MASHOUR CONTINUED, FURTHER DETAILED STUDIES OF VARIOUS TECHNICAL MATTERS WILL BE REQUESTED BY SCA. SOME OF THESE WILL BE DONE BY THE SAME FIRM THAT OBTAINS THE INITIAL CONTRACT. OTHERS MIGHT BE AWARDED ELSEWHERE. SOMEWHAT VAGUELY, LIMITED OFFICIAL USE

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MASHOUR OPINED THAT COE MIGHT BE ABLE TO DO SOME OF THESE DETAILED TECHNICAL STUDIES.

4. ADVERTING TO THE SCA'S NEED FOR A STUDY OF THE NAVIGATIONAL CONTROL SYSTEM, HE RECALLED THAT HE HAS ALREADY SOUGHT COE ASSISTANCE FOR THIS. IN ADDITION, HE HAS ASKED FOR FRENCH, BRITISH, JAPANESE AND WEST GERMAN OFFERS TO UNDERTAKE SAME NAVIGATIONAL CONTROL STUDY.

THE FRENCH RESPONDED AND HAVE ALREADY SENT A TECHNICAL GROUP FROM LE HARVE, WHICH SPENT FIVE DAYS IN EGYPT INVESTIGATING THE SUBJECT. FRENCH REPORT IS EXPECTED SHORTLY. SAVE FOR LOCAL EXPENSES, COSTS WERE BORNE BY THE FRENCH. THE BRITISH, HE ALLEGED, ALSO EXPRESSED INTEREST, BUT HAVENOT YET SENT A DEFINITIVE REPLY. HE SAID NOTHING ABOUT RESPONSES FROM THE OTHERS.

5. AMBASSADOR TOLD MASHOUR OF COE WILLINGNESS DEPLOY TWO-MAN AND SUBSEQUENTLY FOUR-MAN TEAM (REF C) WITH MODEST COSTS TO BE BORNE BY SCA. MASHOUR SAID HE WILL THINK THIS OVER AND AGAIN NOTED FRENCH AND BRITISH ARE PROVIDING THE SERVICE GRATIS. HE NOTED ANY ALLOCATION OF HARD CURRENCY FOR SCA PROJECT, HOWEVER SMALL, MUST FIRST BE APPROVED BY PRIMIN. SINCE AMOUNT IS SMALL, HE ASKED IF USG COULD NOT FUND COSTS OF TEAM. HE AGAIN OPINED COE IS UNIQUELY QUALIFIED TO ASSESS BEST NAVIGATIONAL SYSTEM. HE ACKNOWLEDGED, HOWEVER, THAT ANY PERTINENT COE STUDY WILL BE EVALUATED AGAINST SIMILAR STUDIES MADE BY FRENCH, BRITISH OR OTHERS WHO MAY PROVIDE ASSISTANCE.

6. RE THREE NOMINEES MENTIONED REF B, MASHOUR SAID THEIR NAMES HAVE BEEN SENT TO PRIMIN FOR APPROVAL. HE HOPES THEY MAY BE ABLE TO LEAVE EARLY IN MARCH, BUT WAS UNABLE AT THIS POINT TO PROVIDE SPECIFIC DATES. HAVING IN MIND AFOREMENTIONED LIMITATIONS ON POSSIBLE COE WORK, HE THOUGHT SCA TEAM COULD, WHEN IN US, DISCUSS WITH COE POSSIBLE SPECIFIC PROJECTS WHICH LATTER MIGHT BE ABLE TO DO.

7. COMMENT: CLEARLY MASHOUR IS TO MAXIMUM EXTENT POSSIBLE LOOKING FOR FREE SERVICES. EVEN THOUGH HARD CURRENCY COSTS OF PROPOSED COE TEAM ARE MODEST, HE IS RELUCTANT TO DIP INTO SCA FUNDS TO PAY SUCH EXPENSES, LIMITED OFFICIAL USE

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CLAIMING PRIMIN MUST APPROVE ALL HARD CURRENCY EXPENSES. THIS IS TRUE, BUT FACT REMAINS HE IS UNWILLING TO MAKE STRONG PITCH WITH PRIMIN FOR FUNDS TO ENGAGE COE. HE STILL PROFESSES INTEREST IN GETTING COE INVOLVED. HOWEVER, AVAILABILITY OF SOME FUNDING FROM IBRD AND ARAB STATES OFFERS HIM GREATER OPTIONS, WHICH HE SEEMS DETERMINED TO EXERCISE.

8. ALL OF THIS RAISES THE QUESTION OF EXTENT TO WHICH WE SHOULD URGE SCA TO SEEK COE INVOLVEMENT. WHILE COE COULD UNDOUBTEDLY PROVIDE UNEQUALLED TECHNICAL COUNSEL TO SCA, WE SHOULD CLEARLY AVOID GIVING MASHOUR IMPRESSION THAT HE IS DOING US A FAVOR BY TAKING COE. AS AMBASSADOR REMINDED HIM, IT WAS HE WHO FIRST SUGGESTED COE INVOLVEMENT. NOTWITHSTANDING THE FACT THAT ANY NAVIGATIONAL STUDY WILL

NOT BE COMPARED TO SIMILAR STUDIES MADE BY OTHERS,
THERE WILL BE SOME VALUE TO COE OR PRIVATE US FIRM
DOING THE STUDY IF WE COULD BE ASSURED THAT RECOMMENDATIONS
WILL COME DOWN ON THE SIDE OF AMERICAN-MANUFACTURED
EQUIPMENT. SUGGEST DEPT/AID AGAIN DISCUSS SUBJECT OF
FINANCING WITH IBRD AND DETERMINE CAPABILITY AND
INTEREST OF PRIVATE US FIRMS AS WELL AS COE IN
PERFORMING STUDY. IF FINANCING NOT RPT NOT INCLUDED
IN IBRD PROJECT, INCLUDING KUWAIT/SAUDI ARABIA MONIES,
RECOMMEND AID RECONSIDER POSITON SET FORTH PARA 3 REF C
AND EXPLORE POSSIBILITY OF DEFRAIVING MODEST COSTS OF
PROPOSED FOUR-MAN COE TEAM OR PRIVATE FIRM UNDER TECHNICAL
ASSISTANCE RUBRIC.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY ASSISTANCE, CONSTRUCTION, CANALS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CAIRO01988
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750063-0067
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750225/aaaaavsr.tel
Line Count: 183
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 CAIRO 909, 75 CAIRO 1112, 75 STATE 27627, 75 STATE 30232
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 04 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 AUG 2003 by KelleyW0>; APPROVED <22 DEC 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SCA CHAIRMAN MASHOUR'S LATEST THINKING ON COE INVOLVEMENT IN SUEZ CANAL WORK
TAGS: MARR, PFOR, EG, US, COE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006